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Vice President International Trade Services

April 26, 2005

The Honorable James Talent
United States Senate
Washington, DC 20510

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Support the DR-CAFTA the Dominican Republic – Central America Free Trade Agreement

Dear Senator Talent:

I have written recently regarding several trade issues that are important to the Kellwood Company and the U.S. apparel consumer. The common thread throughout is that ***relaxing complicated, restrictive trade rules and reducing excessive duties*** for apparel products benefits U.S. jobs and eases the burden of those consumers who can least afford price increases.

- Apparel imports pay far higher duties than the average for all other imported products. The U.S. average import duty is 4%. The average apparel import duty is 17%. This duty is a part of the basic cost that is passed on to the consumer.
- The consumer has benefited from the drop in apparel prices – **an average of 10%** between 1993 and 2003 – resulting from lower-cost production in other countries – especially countries whose labor force is shifting from an agricultural base toward an industrial capability.
- Approximately 3% of U.S. apparel is manufactured in the U.S. This tends to be high end or specialized products. During the economic boom of the 90s, the labor market moved away from fairly unattractive jobs of cutting and sewing in the apparel industry and on to other industries.
- While some textile production for the apparel industry continues, the bulk of the textile (fabric) industry has moved to the more attractive industrial textile market (automobile, home furnishings). Apparel fashion requires an excessive number of fabric fibers and finishes, which increases production costs to an unattractive level to the domestic producers. Short production runs and reduced lead times are rejected by the domestics in favor of the better returns on industrial production.
- The current trade preference program for the region, CBTPA, is so restrictive and punitive as to discourage any but the most basic production under the program. For instance, a single, lined garment requires approximately 100 documents to validate qualification (flowchart attached). Under the DR-CAFTA, only the defining portion of the garment must be validated, reducing the recordkeeping burden approximately 80%, while assuring that the major cost of the garment materials and the entire labor component remains with the agreement partners – the U.S. and the DR-CAFTA countries.

The phase-out of quotas on Asian apparel products has removed one of the last minor advantages helping the Central American countries hold onto their market share of U.S. imports – currently approximately 16%. With the quotas gone, there is little incentive to keep production in the DR-CAFTA region, regardless of possible reimposition of quotas on China.

The best way to help the remaining U.S. textile producers is to help their largest market – the CAFTA countries. Without tariff assistance, the ability of neighbors in the CAFTA countries to compete with any of the Asian production centers is severely handicapped.

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It is also important to recall that this agreement expands opportunities beyond the textile and apparel industry to encompass all industries – providing the next step up for the labor force – and increased opportunities for U.S. industry and services. As the economies of these countries grows, so grows the infrastructure and the education level of the people.

Although there remain needed improvements to **labor conditions** in the region, as with all impoverished regions, the CAFTA negotiations and the actions of the apparel industry have provided a focus and an incentive to move beyond the mere existence of rules to increased dialogue and enforcement.

The apparel industry founded the now-independent WRAP (Worldwide Responsible Apparel Production) program to guide factories to develop measurable, responsible programs for meeting **Social Responsibility requirements in labor, safety and security areas**. All major apparel importers have extensive programs to assure that our SR program requirements are met – under a combination of participation in WRAP, FLA and other programs using independent auditors and extensive communication with our trade partners to assure freedom of association, wage and hour enforcement and other working condition requirements.

The labor provisions of the DR-CAFTA match those of other trade agreements recently supported by Congress, and the increased scrutiny has moved the countries to engage on this issue as never before. This agreement is our best chance to build on this momentum and support the labor provisions within.

Kellwood Company, a \$2.4 billion U.S. marketer and merchandiser of wearing apparel, is a prime example of the changing face of the apparel worker in the U.S. Although we no longer maintain sewing facilities in the U.S., we have a U.S. workforce of approximately 5000 employees in over 14 states in industry-careers that are unaffected by trade benefits to other countries. Continuing to keep our company strong by sourcing apparel *at the right place, the right time and the right price* is vital to our customers, our employees and our stockholders. Our brands offer fashion and value to the American consumer through a multitude of retail channels, including department, mass, specialty, mail order and discount stores, with sportswear, activewear, sleepwear, lingerie, infant and childrenswear, designer labels, urban trends, wovens and knits; made possible by our global sourcing capabilities.

The apparel industry balances changing consumer tastes that require a flexible and ever-changing sourcing model, with quality, logistics and social/political considerations that will prevent any single country from becoming a sole source. Of course, China will be a major supplier. Their dedication to installing state-of-the-art facilities and their ready and able labor force make it so, but there remains room for others. Regardless of the way the realignment in global production shakes out, U.S. apparel jobs will not be affected, since the great majority of production jobs migrated off-shore in the past 10 years **while quotas and restrictive tariffs were firmly in place**. Helping the region keep their apparel jobs does help our own economy and security, however.

We therefore encourage you to vote for this necessary, positive trade package as the best way to keep a hemispheric balance in global trade.

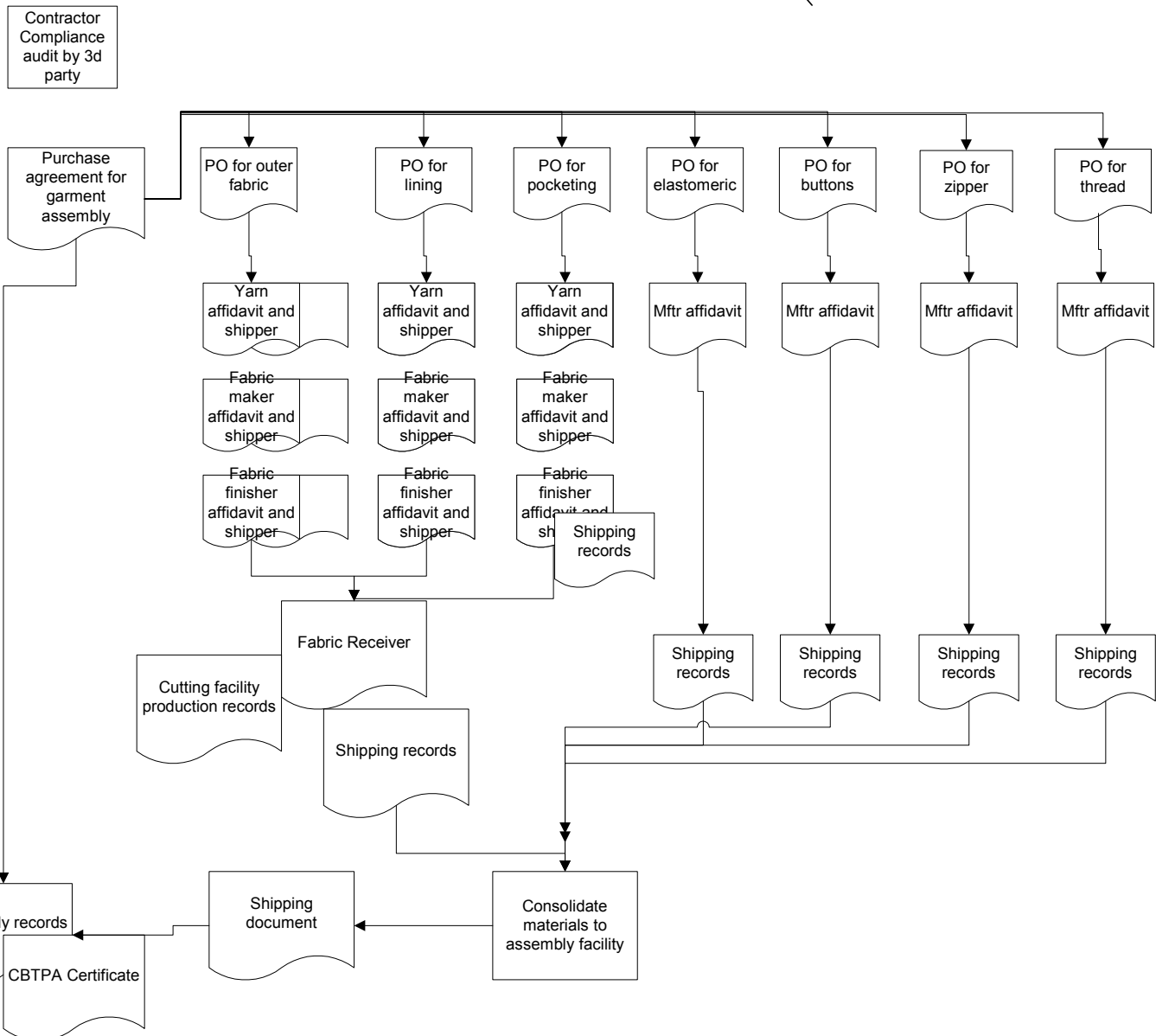
Sincerely,



Wendy Wieland Martin

Failure to maintain these documents for each and every style disqualifies the program and results in costly penalties for the importer

Copies of all records must be kept by BOTH importer and CBTPA factory



DOCUMENTATION REQUIREMENTS FROM NON-PREFERENTIAL SOURCES
(Asia)

